

## **Grape King Bio Ltd. and Subsidiaries**

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2020 and 2019 and  
Independent Auditors' Review Report**

## INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders  
Grape King Bio Ltd.

### Introduction

We have reviewed the accompanying consolidated balance sheets of Grape King Bio Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of March 31, 2020, the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months ended March 31, 2020, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

We conducted our review in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Basis for Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020 and its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Other Matter

The consolidated financial statements of the Group for the three months ended March 31, 2019 were reviewed by other auditors who issued an unmodified opinion with other matter paragraph on those statements dated May 13, 2019.

The engagement partners on the reviews resulting in this independent auditors' review report are Yu Feng Huang and Ming Yuan Chung.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China



May 4, 2020

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.*

## GRAPE KING BIO LTD. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2020 (Reviewed)		December 31, 2019 (Audited)		March 31, 2019 (Reviewed)		LIABILITIES AND EQUITY	March 31, 2020 (Reviewed)		December 31, 2019 (Audited)		March 31, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>							<b>CURRENT LIABILITIES</b>						
Cash and cash equivalents (Note 6)	\$ 2,133,277	18	\$ 2,146,207	19	\$ 1,999,899	18	Short-term borrowings (Notes 18 and 31)	\$ 500,000	4	\$ 350,000	3	\$ 950,000	9
Financial assets at amortized cost (Note 8)	86,110	1	85,818	1	29,460	-	Contract liabilities (Note 23)	73,425	1	65,014	1	46,964	1
Notes and accounts receivable, net (Notes 9 and 23)	217,397	2	199,453	2	146,610	1	Notes and accounts payable	243,512	2	222,626	2	176,799	2
Accounts receivable from related parties (Notes 23 and 30)	3,584	-	2,603	-	-	-	Other payables (Note 19)	1,358,078	12	1,745,424	15	1,369,828	12
Other receivables	5,318	-	2,141	-	-	-	Other payables to related parties (Note 30)	44,261	-	38,130	-	42,002	-
Other receivables from related parties (Note 30)	-	-	-	-	12	-	Current tax liabilities (Note 25)	371,008	3	277,737	3	391,965	4
Inventories (Note 10)	595,128	5	546,444	5	551,593	5	Lease liabilities (Notes 14 and 30)	47,137	1	43,636	-	41,526	-
Other current assets (Note 17)	90,244	1	83,667	-	58,119	1	Other current liabilities (Notes 19 and 30)	46,990	-	60,446	1	44,055	-
							Current portion of long-term borrowings (Notes 18 and 31)	7,304	-	7,304	-	26,005	-
Total current assets	3,131,058	27	3,066,333	27	2,790,958	25	Total current liabilities	2,691,715	23	2,810,317	25	3,089,144	28
<b>NON-CURRENT ASSETS</b>							<b>NON-CURRENT LIABILITIES</b>						
Financial assets at fair value through other comprehensive income (Note 7)	10,527	-	11,782	-	12,912	-	Long-term borrowings (Notes 18 and 31)	817,407	7	819,241	7	286,285	2
Financial assets at amortized cost (Notes 8 and 31)	15,180	-	11,460	-	11,460	-	Provisions (Note 20)	6,797	-	5,317	-	5,260	-
Investments accounted for using the equity method (Note 12)	6,147	-	5,591	-	6,512	-	Deferred tax liabilities (Note 25)	68,675	1	68,675	1	68,628	1
Property, plant and equipment (Notes 13, 31 and 32)	6,463,524	56	6,453,533	57	6,225,037	57	Lease liabilities (Notes 14 and 30)	145,281	1	122,034	1	154,228	1
Right-of-use assets (Note 14)	232,368	2	207,298	2	243,677	2	Other non-current liabilities (Notes 19, 21 and 30)	59,288	1	62,635	-	82,930	1
Investment properties (Note 15)	1,473,353	13	1,475,868	13	1,483,413	14	Total non-current liabilities	1,097,448	10	1,077,902	9	597,331	5
Intangible assets (Note 16)	37,274	-	34,786	-	19,090	-	Total liabilities	3,789,163	33	3,888,219	34	3,686,475	33
Deferred tax assets (Note 25)	12,620	-	9,337	-	7,512	-	<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22)</b>						
Other non-current assets (Notes 17, 21 and 30)	261,926	2	83,083	1	229,321	2	Share capital						
							Common Stock	1,362,864	12	1,362,864	12	1,362,864	12
Total non-current assets	8,512,919	73	8,292,738	73	8,238,934	75	Capital surplus	968,724	8	968,724	8	965,244	9
							Retained earnings						
							Legal reserve	939,947	8	939,947	8	810,407	7
							Special reserve	74,671	-	74,671	1	74,671	1
							Unappropriated earnings	3,236,194	28	2,973,497	26	2,938,955	27
							Total retained earnings	4,250,812	36	3,988,115	35	3,824,033	35
							Other equity	(112,323)	(1)	(100,752)	(1)	(46,948)	-
							Treasury stock	(45,530)	-	(45,530)	-	(91,062)	(1)
							Total equity attributable to owners of the Company	6,424,547	55	6,173,421	54	6,014,131	55
							<b>NON-CONTROLLING INTERESTS (Notes 11 and 22)</b>						
								1,430,267	12	1,297,431	12	1,329,286	12
							Total equity	7,854,814	67	7,470,852	66	7,343,417	67
<b>TOTAL</b>	<b>\$ 11,643,977</b>	<b>100</b>	<b>\$ 11,359,071</b>	<b>100</b>	<b>\$ 11,029,892</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 11,643,977</b>	<b>100</b>	<b>\$ 11,359,071</b>	<b>100</b>	<b>\$ 11,029,892</b>	<b>100</b>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated May 4, 2020)

## GRAPE KING BIO LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	<b>For the Three Months Ended March 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
NET REVENUE (Notes 23 and 30)	\$ 2,008,922	100	\$ 2,013,684	100
COST OF REVENUE (Notes 10 and 24)	<u>(333,578)</u>	<u>(17)</u>	<u>(375,610)</u>	<u>(19)</u>
GROSS PROFIT	1,675,344	83	1,638,074	81
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATE	<u>(363)</u>	<u>-</u>	<u>-</u>	<u>-</u>
ADJUSTED GROSS PROFIT	<u>1,674,981</u>	<u>83</u>	<u>1,638,074</u>	<u>81</u>
OPERATING EXPENSES (Notes 21, 24 and 30)				
Selling and marketing	(1,034,749)	(51)	(1,010,822)	(50)
General and administrative	(121,889)	(6)	(121,768)	(6)
Research and development	<u>(50,723)</u>	<u>(3)</u>	<u>(34,116)</u>	<u>(2)</u>
Total operating expenses	<u>(1,207,361)</u>	<u>(60)</u>	<u>(1,166,706)</u>	<u>(58)</u>
INCOME FROM OPERATIONS	<u>467,620</u>	<u>23</u>	<u>471,368</u>	<u>23</u>
NON-OPERATING INCOME AND EXPENSES (Notes 12, 24 and 30)				
Other income	29,336	2	26,521	1
Other gains and losses	719	-	(3,464)	-
Finance costs	(4,253)	-	(4,137)	-
Share of profit or loss of associate	<u>1,207</u>	<u>-</u>	<u>(35)</u>	<u>-</u>
Total non-operating income	<u>27,009</u>	<u>2</u>	<u>18,885</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	494,629	25	490,253	24
INCOME TAX EXPENSE (Note 25)	<u>(99,096)</u>	<u>(5)</u>	<u>(101,252)</u>	<u>(5)</u>
NET PROFIT FOR THE PERIOD	<u>395,533</u>	<u>20</u>	<u>389,001</u>	<u>19</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 21 and 22)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(1,255)	-	2,020	-

(Continued)

## GRAPE KING BIO LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	<b>For the Three Months Ended March 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ (10,028)	(1)	\$ 19,389	1
Exchange differences on translating foreign operations of associate	<u>(288)</u>	<u>-</u>	<u>(263)</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>(11,571)</u>	<u>(1)</u>	<u>21,146</u>	<u>1</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>\$ 383,962</u>	<u>19</u>	<u>\$ 410,147</u>	<u>20</u>
<b>NET PROFIT ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 262,697	13	\$ 262,690	13
Non-controlling interests	<u>132,836</u>	<u>7</u>	<u>126,311</u>	<u>6</u>
	<u>\$ 395,533</u>	<u>20</u>	<u>\$ 389,001</u>	<u>19</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 251,126	12	\$ 283,836	14
Non-controlling interests	<u>132,836</u>	<u>7</u>	<u>126,311</u>	<u>6</u>
	<u>\$ 383,962</u>	<u>19</u>	<u>\$ 410,147</u>	<u>20</u>
<b>EARNINGS PER SHARE (Note 26)</b>				
Basic earnings per share	<u>\$ 1.93</u>		<u>\$ 1.93</u>	
Diluted earnings per share	<u>\$ 1.92</u>		<u>\$ 1.93</u>	

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated May 4, 2020)

(Concluded)

**GRAPE KING BIO LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company						Others		Treasury Stock	Total	Non-controlling Interests	Total Equity
	Share Capital - Common Stock		Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
	Share (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE, JANUARY 1, 2019	136,286	\$ 1,362,864	\$ 965,244	\$ 810,407	\$ 74,671	\$ 2,676,265	\$ (50,958)	\$ (17,136)	\$ (91,062)	\$ 5,730,295	\$ 1,202,975	\$ 6,933,270
Net profit for the three months ended March 31, 2019	-	-	-	-	-	262,690	-	-	-	262,690	126,311	389,001
Other comprehensive income for the three months ended March 31, 2019, net of income tax	-	-	-	-	-	-	19,126	2,020	-	21,146	-	21,146
Total comprehensive income for the three months ended March 31, 2019	-	-	-	-	-	262,690	19,126	2,020	-	283,836	126,311	410,147
BALANCE, MARCH 31, 2019	<u>136,286</u>	<u>\$ 1,362,864</u>	<u>\$ 965,244</u>	<u>\$ 810,407</u>	<u>\$ 74,671</u>	<u>\$ 2,938,955</u>	<u>\$ (31,832)</u>	<u>\$ (15,116)</u>	<u>\$ (91,062)</u>	<u>\$ 6,014,131</u>	<u>\$ 1,329,286</u>	<u>\$ 7,343,417</u>
BALANCE, JANUARY 1, 2020	136,286	\$ 1,362,864	\$ 968,724	\$ 939,947	\$ 74,671	\$ 2,973,497	\$ (84,506)	\$ (16,246)	\$ (45,530)	\$ 6,173,421	\$ 1,297,431	\$ 7,470,852
Net profit for the three months ended March 31, 2020	-	-	-	-	-	262,697	-	-	-	262,697	132,836	395,533
Other comprehensive loss for the three months ended March 31, 2020, net of income tax	-	-	-	-	-	-	(10,316)	(1,255)	-	(11,571)	-	(11,571)
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	-	262,697	(10,316)	(1,255)	-	251,126	132,836	383,962
BALANCE, MARCH 31, 2020	<u>136,286</u>	<u>\$ 1,362,864</u>	<u>\$ 968,724</u>	<u>\$ 939,947</u>	<u>\$ 74,671</u>	<u>\$ 3,236,194</u>	<u>\$ (94,822)</u>	<u>\$ (17,501)</u>	<u>\$ (45,530)</u>	<u>\$ 6,424,547</u>	<u>\$ 1,430,267</u>	<u>\$ 7,854,814</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated May 4, 2020)

# GRAPE KING BIO LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 494,629	\$ 490,253
Adjustments for:		
Depreciation expenses	98,673	76,579
Amortization expenses	3,282	2,018
Finance costs	4,253	4,137
Interest income	(1,104)	(1,084)
Share of (profit) loss of associate	(1,207)	35
Loss on disposal of property, plant and equipment, net	30	90
Unrealized gain on transactions with associate	363	-
Changes in operating assets and liabilities		
Notes and accounts receivable, net	(17,944)	24,635
Accounts receivable from related parties	(981)	-
Other receivables	(3,015)	(1,416)
Other receivables from related parties	-	(12)
Inventories	(48,684)	11,238
Other current assets	(6,577)	8,532
Contract liabilities	8,411	(59,353)
Notes and accounts payable	20,886	(85,436)
Other payables	(379,923)	(318,515)
Other payables to related parties	6,131	6,380
Other current liabilities	(15,045)	(5,821)
Net defined benefit liabilities	(908)	(1,158)
Cash generated from operations	161,270	151,102
Interest received	942	1,053
Interest paid	(3,602)	(3,445)
Income tax paid	(9,108)	(12,611)
Net cash generated from operating activities	<u>149,502</u>	<u>136,099</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at amortized cost	(3,720)	-
Repayment of financial assets at amortized cost	-	8,538
Acquisition of investments accounted for using the equity method	-	(6,810)
Acquisition of property, plant and equipment	(285,221)	(329,241)
Proceeds from disposal of property, plant and equipment	19	92
Increase in refundable deposits	(4,625)	(2,703)
Decrease in refundable deposits	3,970	1,904
Acquisition of intangible assets	(4,307)	(921)
Decrease in other non-current assets	86	89
Net cash used in investing activities	<u>(293,798)</u>	<u>(329,052)</u>

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## GRAPE KING BIO LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 500,000	\$ 1,800,000
Repayments of short-term borrowings	(350,000)	(1,650,000)
Repayments of long-term borrowings	(1,834)	(6,517)
Refund of guarantee deposits received	(1,700)	(20)
Repayment of the principal portion of lease liabilities	<u>(10,327)</u>	<u>(9,944)</u>
Net cash generated from financing activities	<u>136,139</u>	<u>133,519</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(4,773)</u>	<u>9,109</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,930)	(50,325)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>2,146,207</u>	<u>2,050,224</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 2,133,277</u>	<u>\$ 1,999,899</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated May 4, 2020)

(Concluded)

# GRAPE KING BIO LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise) (Reviewed, Not Audited)

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### 1. GENERAL INFORMATION

Grape King Bio Ltd. (the “Company”) was incorporated as a listed company limited by shares under the provisions of Company Act, the Securities and Exchange Act and other related regulations of the Republic of China (“ROC”). In April 1971, the Company was officially registered as Grape King Food Limited and started its operation. In 1979, the Company merged with China Fuso Seiko Pharmaceutical Industries Ltd. and renamed as Grape King Inc. In 1981, the Company further merged with Head Fancy Cosmetics Co. Ltd. The Company’s stocks were listed and publicly traded on the Taiwan Stock Exchange (“TWSE”) starting from December 1982. In the annual shareholders’ meeting held on June 12, 2002, the Company resolved to change its name to become Grape King Bio Ltd. The Company is engaged in the production and sales of pharmaceutical preparation, patent medicine, liquid tonic, drink, healthy food, etc. The Company’s registered office and main business location is at No.402, Sec. 2, Jinling Rd., Pingzhen Dist., Taoyuan City 324, Taiwan, Republic of China.

### 2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors and issued on May 4, 2020.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company and its subsidiaries’ (collectively referred to as the “Group”) accounting policies:

#### Amendments to IAS 1 and IAS 8 “Definition of Material”

The Group adopted the amendments starting from January 1, 2020. The threshold for materiality influencing users has been changed to “could reasonably be expected to influence” and, therefore, the disclosures in the consolidated financial statements have been adjusted and immaterial information that may obscure material information has been deleted.

- b. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language consolidated financial statements shall prevail.

- a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit assets (liabilities) which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 11, Table 6 and Table 7 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Other significant accounting policies

Except for the following, refer to Note 4 to the consolidated financial statements for the year ended December 31, 2019.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Refer to Note 5 to the consolidated financial statements for the year ended December 31, 2019.

## 6. CASH AND CASH EQUIVALENTS

	March 31, 2020	December 31, 2019	March 31, 2019
Cash on hand	\$ 3,717	\$ 2,888	\$ 5,175
Checking accounts and demand deposits	1,298,972	1,581,990	1,151,635
Cash equivalents (investments with original maturities of less than 3 months)			
Repurchase agreements collateralized by commercial paper	179,817	203,967	473,798
Repurchase agreements collateralized by bonds	<u>650,771</u>	<u>357,362</u>	<u>369,291</u>
	<u>\$ 2,133,277</u>	<u>\$ 2,146,207</u>	<u>\$ 1,999,899</u>

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2020	December 31, 2019	March 31, 2019
Non-current - investments in equity instruments at FVTOCI			
Unlisted shares			
FU-Sheng International Inc. (Samoa)	\$ 10,485	\$ 11,748	\$ 12,869
Hsin Tung Yang Co., Ltd.	<u>42</u>	<u>34</u>	<u>43</u>
	<u>\$ 10,527</u>	<u>\$ 11,782</u>	<u>\$ 12,912</u>

The Company acquired ordinary shares of FU-Sheng International Inc. (Samoa) and Hsin Tung Yang Co., Ltd. for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

As at January 1, 2016, the Company invested US\$917 thousand (equivalent to NT\$28,008 thousand) in exchange for 917,700 shares of FU-Sheng International Inc. (Samoa), representing 19% ownership interest. In 2016, the Company did not participate in an offering of shares conducted by FU-Sheng International Inc. (Samoa), and therefore its ownership interest was reduced to 18.77%.

Financial assets at fair value through other comprehensive income were not pledged.

## 8. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Current</u>			
Time deposits with original maturities of more than 3 months	<u>\$ 86,110</u>	<u>\$ 85,818</u>	<u>\$ 29,460</u>
<u>Non-current</u>			
Pledged time deposit	<u>\$ 15,180</u>	<u>\$ 11,460</u>	<u>\$ 11,460</u>

Refer to Note 29 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.

Refer to Note 31 for information relating to investments in financial assets at amortized cost pledged as security.

## 9. NOTES AND ACCOUNTS RECEIVABLE, NET

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Notes receivable</u>			
Notes receivable - operating	\$ 9,702	\$ 5,482	\$ 3,494
<u>Accounts receivable</u>			
At amortized cost			
Gross carrying amount	211,026	197,302	146,447
Less: Allowance for impairment loss	<u>(3,331)</u>	<u>(3,331)</u>	<u>(3,331)</u>
	<u>207,695</u>	<u>193,971</u>	<u>143,116</u>
	<u>\$ 217,397</u>	<u>\$ 199,453</u>	<u>\$ 146,610</u>

The average credit period of sales of goods was 30-135 days. The Group adopted a policy of only dealing with entities that passed internal credit assessment and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for notes and accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on notes and accounts receivable are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The movements of the loss allowance of notes and accounts receivable were as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1 and March 31	<u>\$ 3,331</u>	<u>\$ 3,331</u>

Aging analysis of notes and accounts receivable (net) held by the Group was as follows:

	<b>Neither Past Due nor Impaired</b>	<b>Past Due but not Impaired</b>			<b>Total</b>
		<b>Within 90 Days</b>	<b>91 to 180 Days</b>	<b>Over 180 Days</b>	
March 31, 2020	\$ 199,565	\$ 17,302	\$ 502	\$ 28	\$ 217,397
December 31, 2019	189,587	9,838	28	-	199,453
March 31, 2019	140,713	5,792	105	-	146,610

Notes and accounts receivable were not pledged.

## 10. INVENTORIES

	March 31, 2020	December 31, 2019	March 31, 2019
Raw materials	\$ 197,278	\$ 152,038	\$ 195,517
Semi-finished goods and work in progress	186,073	182,574	150,764
Finished goods	179,795	183,461	177,055
Supplies	31,814	27,800	26,646
Merchandise	<u>168</u>	<u>571</u>	<u>1,611</u>
	<u>\$ 595,128</u>	<u>\$ 546,444</u>	<u>\$ 551,593</u>

The nature of the cost of goods sold is as follows:

	For the Three Months Ended March 31	
	2020	2019
Cost of inventories sold	<u>\$ 333,578</u>	<u>\$ 375,610</u>
Loss on retirement	<u>\$ 783</u>	<u>\$ 895</u>
Gain from physical counts	<u>\$ (645)</u>	<u>\$ (278)</u>

Inventories were not pledged.

## 11. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership		
			March 31, 2020	December 31, 2019	March 31, 2019
The Company	Pro-partner Inc. (Pro-partner)	Sales	60%	60%	60%
The Company	GRAPE KING INTERNATIONAL INVESTMENT INC. (BVI) (GKBVI)	Investment	100%	100%	100%
The Company	Rivershine Ltd. (Rivershine)	Sales	100%	100%	100%
The Company	Dongpu Biotech Corporation	Sales	100%	100%	100%
GKBVI	Shanghai Grape King Enterprise Co., Ltd. (Shanghai Grape King)	Manufacturing and Sales	100%	100%	100%
GKBVI	Shanghai Rivershine Ltd. (Shanghai Rivershine)	Sales	100%	100%	100%

### b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests			
		March 31, 2020	December 31, 2019	March 31, 2019	
Pro-partner	Taiwan, Republic of China	40%	40%	40%	
Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests For the Three Months Ended March 31		Accumulated Non-controlling Interests		
	2020	2019	March 31, 2020	December 31, 2019	March 31, 2019
Pro-partner	<u>\$ 132,836</u>	<u>\$ 126,311</u>	<u>\$ 1,430,267</u>	<u>\$ 1,297,431</u>	<u>\$ 1,329,286</u>

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Pro-partner

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Current assets	\$ 1,616,048	\$ 1,532,322	\$ 1,480,547
Non-current assets	3,761,678	3,747,434	3,822,105
Current liabilities	(1,608,633)	(1,864,138)	(1,603,338)
Non-current liabilities	<u>(193,426)</u>	<u>(172,041)</u>	<u>(376,097)</u>
Equity	<u>\$ 3,575,667</u>	<u>\$ 3,243,577</u>	<u>\$ 3,323,217</u>
Equity attributable to:			
Owners of the Company	\$ 2,145,400	\$ 1,946,146	\$ 1,993,931
Non-controlling interests of Pro-partner	<u>1,430,267</u>	<u>1,297,431</u>	<u>1,329,286</u>
	<u>\$ 3,575,667</u>	<u>\$ 3,243,577</u>	<u>\$ 3,323,217</u>
		<b>For the Three Months Ended March 31</b>	
		<b>2020</b>	<b>2019</b>
Revenue		<u>\$ 1,742,506</u>	<u>\$ 1,682,203</u>
Profit and comprehensive income for the period		<u>\$ 332,091</u>	<u>\$ 315,778</u>
Profit and total comprehensive income attributable to:			
Owners of the Company		\$ 199,255	\$ 189,467
Non-controlling interests of Pro-partner		<u>132,836</u>	<u>126,311</u>
		<u>\$ 332,091</u>	<u>\$ 315,778</u>
Net cash inflow (outflow) from:			
Operating activities		\$ 61,445	\$ 130,544
Investing activities		(12,541)	(5,352)
Financing activities		<u>(8,201)</u>	<u>(13,469)</u>
Net cash inflow		<u>\$ 40,703</u>	<u>\$ 111,723</u>

**12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
<u>Associates that are not individually material</u>			
GK BIO INTERNATIONAL SDN. BHD.	<u>\$ 6,147</u>	<u>\$ 5,591</u>	<u>\$ 6,512</u>

In January 2019, the Company invested NT\$6,810 thousand in GK BIO INTERNATIONAL SDN. BHD. and acquired 30% ownership.



Aggregate information of associates that are not individually material

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
The Company's share of:		
Net income (loss)	\$ 1,120	\$ (35)
Other comprehensive loss	<u>(288)</u>	<u>(263)</u>
Total comprehensive income (loss)	<u>\$ 832</u>	<u>\$ (298)</u>

The Company had neither contingent liabilities nor capital commitments to the associates as of March 31, 2020 and 2019.

### 13. PROPERTY, PLANT AND EQUIPMENT

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Assets used by the Group	<u>\$ 6,463,524</u>	<u>\$ 6,453,533</u>	<u>\$ 6,225,037</u>

#### a. Assets used by the Group

	<b>Land</b>	<b>Land Improvements</b>	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Transportation Equipment</b>	<b>Leasehold Improvements</b>	<b>Other Equipment</b>	<b>Construction in Progress</b>	<b>Total</b>
<b>Cost</b>									
Balance at January 1, 2020	\$ 2,067,958	\$ 3,264	\$ 3,179,557	\$ 1,284,693	\$ 18,714	\$ 48,277	\$ 424,351	\$ 1,496,235	\$ 8,523,049
Additions	-	-	5,010	5,812	951	-	6,319	8,725	26,817
Disposals	-	-	(88)	(4,613)	-	-	(803)	-	(5,504)
Reclassified	-	-	1,121,208	346,083	1,175	-	47,468	(1,443,950)	71,984
Effects of foreign currency exchange differences	-	-	(4,877)	(2,747)	(40)	(32)	(226)	(172)	(8,094)
Balance at March 31, 2020	<u>2,067,958</u>	<u>3,264</u>	<u>4,300,810</u>	<u>1,629,228</u>	<u>20,800</u>	<u>48,245</u>	<u>477,109</u>	<u>60,838</u>	<u>8,608,252</u>
<b>Accumulated depreciation</b>									
Balance at January 1, 2020	-	1,340	791,071	929,987	11,166	21,459	314,493	-	2,069,516
Depreciation expenses	-	104	41,887	27,834	686	2,344	10,877	-	83,732
Disposals	-	-	(39)	(4,613)	-	-	(803)	-	(5,455)
Effects of foreign currency exchange differences	-	-	(1,409)	(1,444)	(22)	(14)	(176)	-	(3,065)
Balance at March 31, 2020	<u>-</u>	<u>1,444</u>	<u>831,510</u>	<u>951,764</u>	<u>11,830</u>	<u>23,789</u>	<u>324,391</u>	<u>-</u>	<u>2,144,728</u>
Carrying amounts at January 1, 2020	<u>\$ 2,067,958</u>	<u>\$ 1,924</u>	<u>\$ 2,388,486</u>	<u>\$ 354,706</u>	<u>\$ 7,548</u>	<u>\$ 26,818</u>	<u>\$ 109,858</u>	<u>\$ 1,496,235</u>	<u>\$ 6,453,533</u>
Carrying amounts at March 31, 2020	<u>\$ 2,067,958</u>	<u>\$ 1,820</u>	<u>\$ 3,469,300</u>	<u>\$ 677,464</u>	<u>\$ 8,970</u>	<u>\$ 24,456</u>	<u>\$ 152,718</u>	<u>\$ 60,838</u>	<u>\$ 6,463,524</u>
<b>Cost</b>									
Balance at January 1, 2019	\$ 2,067,958	\$ 1,974	\$ 3,134,148	\$ 1,254,331	\$ 16,523	\$ 48,083	\$ 417,443	\$ 856,968	\$ 7,797,428
Additions	-	-	5,100	5,200	1,076	112	1,351	293,680	306,519
Disposals	-	-	-	(11,824)	-	-	(1,476)	-	(13,300)
Reclassified	-	-	670	15,509	-	-	2,055	28,065	46,299
Effects of foreign currency exchange differences	-	-	9,582	4,868	57	68	463	384	15,422
Balance at March 31, 2019	<u>2,067,958</u>	<u>1,974</u>	<u>3,149,500</u>	<u>1,268,084</u>	<u>17,656</u>	<u>48,263</u>	<u>419,836</u>	<u>1,179,097</u>	<u>8,152,368</u>
<b>Accumulated depreciation</b>									
Balance at January 1, 2019	-	973	663,177	902,083	8,669	12,128	283,743	-	1,870,773
Depreciation expenses	-	71	32,913	18,066	620	2,338	9,646	-	63,654
Disposals	-	-	-	(11,824)	-	-	(1,294)	-	(13,118)
Effects of foreign currency exchange differences	-	-	2,713	2,911	34	28	336	-	6,022
Balance at March 31, 2019	<u>-</u>	<u>1,044</u>	<u>698,803</u>	<u>911,236</u>	<u>9,323</u>	<u>14,494</u>	<u>292,431</u>	<u>-</u>	<u>1,927,331</u>
Carrying amounts at January 1, 2019	<u>\$ 2,067,958</u>	<u>\$ 1,001</u>	<u>\$ 2,470,971</u>	<u>\$ 352,248</u>	<u>\$ 7,854</u>	<u>\$ 35,955</u>	<u>\$ 133,700</u>	<u>\$ 856,968</u>	<u>\$ 5,926,655</u>
Carrying amounts at March 31, 2019	<u>\$ 2,067,958</u>	<u>\$ 930</u>	<u>\$ 2,450,697</u>	<u>\$ 356,848</u>	<u>\$ 8,333</u>	<u>\$ 33,769</u>	<u>\$ 127,405</u>	<u>\$ 1,179,097</u>	<u>\$ 6,225,037</u>

The significant parts of the Group's buildings include main plants, air conditioning, electrical and waste water treatment equipment and decoration, and the related depreciation is calculated based on the economic lives as below:

<b>Significant Part of Buildings</b>	<b>Estimated Economic Lives</b>
Main plant	30 to 60 years
Air conditioning and electrical	5 to 22 years
Waste water treatment equipment	10 to 15 years
Decoration	15 years

No impairment assessment was performed for the three months ended March 31, 2020 and 2019 as there was no indication of impairment.

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 31.

#### 14. LEASE ARRANGEMENTS

##### a. Right-of-use assets

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
<u>Carrying amounts</u>			
Land	\$ 98,873	\$ 100,226	\$ 105,541
Buildings	119,240	99,060	128,261
Transportation equipment	11,494	7,359	9,875
Other equipment	<u>2,761</u>	<u>653</u>	<u>-</u>
	<u>\$ 232,368</u>	<u>\$ 207,298</u>	<u>\$ 243,677</u>
		<b>For the Three Months Ended March 31</b>	
		<b>2020</b>	<b>2019</b>
Additions to right-of-use assets		<u>\$ 37,985</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets			
Land		\$ 892	\$ 919
Buildings		9,875	8,468
Transportation equipment		1,510	1,023
Other equipment		<u>149</u>	<u>-</u>
		<u>\$ 12,426</u>	<u>\$ 10,410</u>

Except for the aforementioned additions and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the three months ended March 31, 2020 and 2019.

b. Lease liabilities

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
<u>Carrying amounts</u>			
Current	\$ 47,137	\$ 43,636	\$ 41,526
Non-current	<u>\$ 145,281</u>	<u>\$ 122,034</u>	<u>\$ 154,228</u>

Range of discount rate for lease liabilities was as follows:

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Land	1.00%-4.75%	1.00%-4.75%	1.00%-4.75%
Buildings	1.00%-4.75%	1.00%-4.75%	1.00%-4.75%
Transportation equipment	1.00%-4.75%	1.00%-4.75%	1.00%-4.75%
Other equipment	1.00%	1.00%	1.00%

c. Material lease-in activities and terms

The Group leases certain land, buildings and transportation equipment with lease terms of 3 to 50 years. Lease payments for the lease contract of land will be adjusted on the basis of changes in announced land value prices. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Subleases

In addition to the sublease transactions described in Note 15, other sublease transactions are set out below.

Sublease of right-of-use assets

Shanghai Grape King entered into an operating lease agreement for a term from June 2014 to March 2034 with a non-related party. As of March 31, 2020, December 31, 2019 and March 31, 2019 Shanghai Grape King had received prepaid rents, recorded under the advances received for the period of nine years and ten months, ten years and one month and ten years and ten months, respectively. The movement schedule of prepaid rents is listed as follows:

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Beginning balance of prepaid rent	\$ 45,423	\$ 51,865	\$ 51,865
Rental income recognized in current period	(1,127)	(4,679)	(1,196)
Effects of foreign currency exchange differences	<u>(514)</u>	<u>(1,763)</u>	<u>1,250</u>
Ending balance of prepaid rent	<u>\$ 43,782</u>	<u>\$ 45,423</u>	<u>\$ 51,919</u>

Advances received for operating leases are as follows:

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Other current liabilities	\$ 4,453	\$ 4,505	\$ 4,792
Other non-current liabilities	<u>39,329</u>	<u>40,918</u>	<u>47,127</u>
Ending balance of prepaid rent	<u>\$ 43,782</u>	<u>\$ 45,423</u>	<u>\$ 51,919</u>

e. Other lease information

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses relating to short-term and low-value asset leases	<u>\$ 3,133</u>	<u>\$ 4,262</u>
Total cash outflow for leases	<u>\$ (13,460)</u>	<u>\$ (14,206)</u>

The Group leases certain land, transportation equipment and other equipment which qualify as short-term leases and low-value asset leases. The Group has elected to apply the recognition exemption and thus did not recognize right-of-use assets and lease liabilities for these leases.

## 15. INVESTMENT PROPERTIES

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1 and March 31, 2020	<u>\$ 1,173,942</u>	<u>\$ 394,499</u>	<u>\$ 1,568,441</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2020	\$ -	\$ 92,573	\$ 92,573
Depreciation expenses	<u>-</u>	<u>2,515</u>	<u>2,515</u>
Balance at March 31, 2020	<u>\$ -</u>	<u>\$ 95,088</u>	<u>\$ 95,088</u>
Carrying amounts at January 1, 2020	<u>\$ 1,173,942</u>	<u>\$ 301,926</u>	<u>\$ 1,475,868</u>
Carrying amounts at March 31, 2020	<u>\$ 1,173,942</u>	<u>\$ 299,411</u>	<u>\$ 1,473,353</u>
<u>Cost</u>			
Balance at January 1 and March 31, 2019	<u>\$ 1,173,942</u>	<u>\$ 394,499</u>	<u>\$ 1,568,441</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2019	\$ -	\$ 82,513	\$ 82,513
Depreciation expenses	<u>-</u>	<u>2,515</u>	<u>2,515</u>
Balance at March 31, 2019	<u>\$ -</u>	<u>\$ 85,028</u>	<u>\$ 85,028</u>
Carrying amounts at January 1, 2019	<u>\$ 1,173,942</u>	<u>\$ 311,986</u>	<u>\$ 1,485,928</u>
Carrying amounts at March 31, 2019	<u>\$ 1,173,942</u>	<u>\$ 309,471</u>	<u>\$ 1,483,413</u>

The investment properties were leased out for 3 to 10 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties as of March 31, 2020 and December 31, 2019 and March 31, 2019 was as follows:

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Year 1	\$ 15,449	\$ 17,116	\$ 15,223
Year 2	13,435	16,421	15,409
Year 3	13,235	15,635	13,431
Year 4	6,662	12,348	13,235
Year 5	90	2,490	6,662
Later than 5 years	<u>-</u>	<u>13,724</u>	<u>-</u>
	<u>\$ 48,871</u>	<u>\$ 77,734</u>	<u>\$ 63,960</u>

Except for depreciation recognized, the Group did not have significant addition, disposal, or impairment of investment properties during the three months ended March 31, 2020 and 2019. Investment properties are depreciated using the straight-line method over their estimated useful lives of 5 of 50 years.

Investment properties held by the Group are not measured at fair value while its fair value is disclosed. The determination of fair value was not performed by independent qualified professional valuers. The valuation was arrived at by reference to announced land value prices and market evidence of transaction prices for similar properties.

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Fair value	<u>\$ 1,715,535</u>	<u>\$ 1,747,009</u>	<u>\$ 1,761,583</u>

The investment property - land listed above includes a piece of agricultural land in the amount of NT\$5,600 thousand, which has been acquired due to a settlement of doubtful accounts by the Company but registered under the name of the Company's chairman, Mr. Tseng. The Company has obtained a guaranteed note amounting to NT\$5,600 thousand from Mr. Tseng for security purpose.

Investment properties were not pledged.

## 16. INTANGIBLE ASSETS

	<b>Computer Software</b>	<b>Trademark</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2020	\$ 49,002	\$ 15,049	\$ 64,051
Additions	4,307	-	4,307
Reclassified	1,490	-	1,490
Effects of foreign currency exchange differences	<u>(31)</u>	<u>-</u>	<u>(31)</u>
Balance at March 31, 2020	<u>\$ 54,768</u>	<u>\$ 15,049</u>	<u>\$ 69,817</u>

(Continued)

	<b>Computer Software</b>	<b>Trademark</b>	<b>Total</b>
<u>Accumulated amortization</u>			
Balance at January 1, 2020	\$ 15,197	\$ 14,068	\$ 29,265
Amortization expenses	2,301	981	3,282
Effects of foreign currency exchange differences	<u>(4)</u>	<u>-</u>	<u>(4)</u>
Balance at March 31, 2020	<u>\$ 17,494</u>	<u>\$ 15,049</u>	<u>\$ 32,543</u>
Carrying amounts at January 1, 2020	<u>\$ 33,805</u>	<u>\$ 981</u>	<u>\$ 34,786</u>
Carrying amounts at March 31, 2020	<u>\$ 37,274</u>	<u>\$ -</u>	<u>\$ 37,274</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 24,070	\$ 15,049	\$ 39,119
Additions	921	-	921
Effects of foreign currency exchange differences	<u>48</u>	<u>-</u>	<u>48</u>
Balance at March 31, 2019	<u>\$ 25,039</u>	<u>\$ 15,049</u>	<u>\$ 40,088</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2019	\$ 8,836	\$ 10,142	\$ 18,978
Amortization expenses	1,036	982	2,018
Effects of foreign currency exchange differences	<u>2</u>	<u>-</u>	<u>2</u>
Balance at March 31, 2019	<u>\$ 9,874</u>	<u>\$ 11,124</u>	<u>\$ 20,998</u>
Carrying amounts at January 1, 2019	<u>\$ 15,234</u>	<u>\$ 4,907</u>	<u>\$ 20,141</u>
Carrying amounts at March 31, 2019	<u>\$ 15,165</u>	<u>\$ 3,925</u>	<u>\$ 19,090</u>

(Concluded)

Except for the aforementioned addition and recognized amortization, the Group did not have disposal or impairment of other intangible assets during the three months ended March 31, 2020 and 2019. Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	3-10 years
Trademark	4 years

	<b>For the Three Months Ended March 31</b>	
	<u>2020</u>	<u>2019</u>
An analysis of depreciation by function		
Selling and marketing expenses	\$ 1,281	\$ 53
General and administrative expenses	<u>2,001</u>	<u>1,965</u>
	<u>\$ 3,282</u>	<u>\$ 2,018</u>

## 17. OTHER ASSETS

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Current assets</u>			
Prepayments for purchase	\$ 51,010	\$ 43,334	\$ 22,112
Other prepaid expenses	33,986	32,180	22,497
Office supplies	3,048	2,572	5,317
Other current assets	<u>2,200</u>	<u>5,581</u>	<u>8,193</u>
	<u>\$ 90,244</u>	<u>\$ 83,667</u>	<u>\$ 58,119</u>
<u>Non-current assets</u>			
Prepayments for equipment	\$ 217,529	\$ 39,207	\$ 166,866
Refundable deposits	26,565	26,808	27,730
Net defined benefit assets	7,354	6,504	4,853
Overdue receivables	2,267	2,267	2,267
Less: Loss allowance	(2,267)	(2,267)	(2,267)
Other non-current assets	<u>10,478</u>	<u>10,564</u>	<u>29,872</u>
	<u>\$ 261,926</u>	<u>\$ 83,083</u>	<u>\$ 229,321</u>

Overdue receivables were those expected not to be collected within a year and the Group has provided a full allowance for doubtful debts to cover them. The Group holds collateral for other receivables in the amount of NT\$2,244 thousand.

## 18. BORROWINGS

### a. Short-term borrowings

	Interest rates (%)	March 31, 2020	December 31, 2019	March 31, 2019
<u>Unsecured borrowings</u>				
Line of credit borrowings	0.99-1.07	\$ 300,000	\$ 150,000	\$ 500,000
<u>Secured borrowings</u>				
Bank loans	0.98-1.02	<u>200,000</u>	<u>200,000</u>	<u>450,000</u>
		<u>\$ 500,000</u>	<u>\$ 350,000</u>	<u>\$ 950,000</u>

Refer to Note 31 for property, plant and equipment pledged as collateral for short-term borrowings.

b. Long-term borrowings

Details of long-term borrowings are as follows:

Lenders	March 31, 2020	Interest rates (%)	Maturity and terms
<u>Unsecured borrowings</u>			
Credit loans from Hua Nan Commercial Bank	\$ 250,000	1.40	Effective from July 22, 2019 to July 22, 2022. Interest is repayable monthly; principal is repayable at maturity.
<u>Secured borrowings</u>			
Secured Long-Term Loan from Taiwan Cooperative Bank	124,711	1.44	Effective from May 27, 2015 to May 27, 2035. Principal is repaid with interest payments due on a monthly basis.
Secured Long-Term Loan from Hua Nan Commercial Bank	100,000	1.30	Effective from May 10, 2019 to May 10, 2022. Interest is repayable monthly; principal is repayable at maturity.
Secured Long-Term Loan from Hua Nan Commercial Bank	<u>350,000</u>	1.30	Effective from July 22, 2019 to July 22, 2022. Interest is repayable monthly; principal is repayable at maturity.
	824,711		
Less: Current portions	<u>(7,304)</u>		
	<u>\$ 817,407</u>		

Lenders	December 31, 2019	Interest rates (%)	Maturity and terms
<u>Unsecured borrowings</u>			
Credit loans from Hua Nan Commercial Bank	\$ 250,000	1.40	Effective from July 22, 2019 to July 22, 2022. Interest is repayable monthly; principal is repayable at maturity.
<u>Secured borrowings</u>			
Secured Long-Term Loan from Taiwan Cooperative Bank	126,545	1.44	Effective from May 27, 2015 to May 27, 2035. Principal is repaid with interest payments due on a monthly basis.
Secured Long-Term Loan from Hua Nan Commercial Bank	100,000	1.30	Effective from May 10, 2019 to May 10, 2022. Interest is repayable monthly; principal is repayable at maturity.
Secured Long-Term Loan from Hua Nan Commercial Bank	<u>350,000</u>	1.30	Effective from July 22, 2019 to July 22, 2022. Interest is repayable monthly; principal is repayable at maturity.
	826,545		
Less: Current portions	<u>(7,304)</u>		
	<u>\$ 819,241</u>		



Lenders	March 31, 2019	Interest rates (%)	Maturity and terms
Secured Long-Term Loan from Chang Hwa Commercial Bank	\$ 71,699	1.44	Effective from May 27, 2015 to May 27, 2030. Principal is repaid with interest payments due on a monthly basis.
Secured Long-Term Loan from Taiwan Cooperative Bank	<u>240,591</u>	1.44	Effective from May 27, 2015 to May 27, 2035. Principal is repaid with interest payments due on a monthly basis.
	312,290		
Less: Current portions	<u>(26,005)</u>		
	<u>\$ 286,285</u>		

Certain land and buildings were pledged as collaterals for secured bank loans. Refer to Note 31 for details.

## 19. OTHER LIABILITIES

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Current</u>			
Other payables			
Bonus to direct sellers	\$ 653,348	\$ 1,003,837	\$ 649,367
Bonus to employees	252,821	209,680	246,129
Salaries and incentive bonus	146,412	157,976	186,167
Payables for purchases of equipment	40,864	48,336	26,426
Bonus to directors and supervisors	36,964	30,741	36,743
Accrued VAT payable	25,333	72,051	31,618
Other accrued expenses	197,653	220,379	187,507
Others	<u>4,683</u>	<u>2,424</u>	<u>5,871</u>
	<u>\$ 1,358,078</u>	<u>\$ 1,745,424</u>	<u>\$ 1,369,828</u>
Other liabilities			
Guarantee deposits received	\$ 12,858	\$ 12,858	\$ 11,375
Unearned rent	5,847	5,708	6,404
Refund liabilities	-	-	2,831
Other current liabilities	<u>28,285</u>	<u>41,880</u>	<u>23,445</u>
	<u>\$ 46,990</u>	<u>\$ 60,446</u>	<u>\$ 44,055</u>
<u>Non-current</u>			
Guarantee deposits received	\$ 18,388	\$ 20,088	\$ 33,811
Net defined benefit liabilities	1,571	1,629	1,992
Other non-current liabilities - other	<u>39,329</u>	<u>40,918</u>	<u>47,127</u>
	<u>\$ 59,288</u>	<u>\$ 62,635</u>	<u>\$ 82,930</u>

## 20. PROVISIONS

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Non-current</u>			
Decommissioning, restoration and rehabilitation	<u>\$ 6,797</u>	<u>\$ 5,317</u>	<u>\$ 5,260</u>

Movements in decommissioning, restoration and rehabilitation are as follows:

	For the Three Months Ended March 31	
	2020	2019
Balance at January 1	\$ 5,317	\$ -
Adjustments on initial application of IFRS 16	<u>-</u>	<u>4,571</u>
Balance at January 1 (adjusted)	5,317	4,571
Additional provisions recognized	1,457	670
Discount rate adjustment and unwinding of discount from the passage of time	<u>23</u>	<u>19</u>
Balance at March 31	<u>\$ 6,797</u>	<u>\$ 5,260</u>

A provision has been recognized according to the contract that the Group is committed to decommissioning the site because of construction of the factory.

## 21. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

Expenses under the defined contribution plan for the three months ended March 31, 2020 and 2019 were NT\$7,598 thousand and NT\$8,261 thousand, respectively.

### b. Defined benefit plans

Employee benefit expenses in respect of the Group defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate, expenses under the defined benefit plan for the three months ended March 31, 2020 and 2019 were NT\$47 thousand and NT\$381 thousand, respectively.

## 22. EQUITY

### a. Share capital

#### 1) Common stock

	March 31, 2020	December 31, 2019	March 31, 2019
Shares authorized (in thousands of shares)	<u>180,000</u>	<u>180,000</u>	<u>150,000</u>
Shares authorized, par value \$10 (in thousands of dollars)	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>	<u>\$ 1,500,000</u>
Shares issued and fully paid (in thousands of shares)	<u>136,286</u>	<u>136,286</u>	<u>136,286</u>
Shares issued and fully paid (in thousands of dollars)	<u>\$ 1,362,864</u>	<u>\$ 1,362,864</u>	<u>\$ 1,362,864</u>

Each share possesses one voting right and a right to receive dividends.

b. Capital surplus

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Additional paid-in capital	\$ 954,280	\$ 954,280	\$ 954,280
Treasury share transactions	3,583	3,583	4,363
<u>May only be used to offset a deficit</u>			
Convertible bonds - expired share option	150	150	150
Treasury share transactions - share option	4,260	4,260	-
Other (2)	<u>6,451</u>	<u>6,451</u>	<u>6,451</u>
	<u>\$ 968,724</u>	<u>\$ 968,724</u>	<u>\$ 965,244</u>

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

2) Other is unclaimed dividend.

c. Retained earnings and dividends policy

According to the Company's Articles of Incorporation, both the Company and Pro-partner Inc. shall distribute their annual earnings, if any, in the sequence listed below.

- 1) Paying taxes;
- 2) Offsetting losses of previous years;
- 3) Setting aside as legal reserve 10% of the remaining profit;
- 4) Setting aside or reversing a special reserve in accordance with the laws and regulations; and
- 5) Any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 24-g.

The Company's dividend policy shall be determined pursuant to the factors, such as the investment environment, capital requirement, domestic and overseas competition environment, current and future business development plan, as well as shareholders' interests. The distribution of shareholders dividend shall not be lower than 60% of remaining current year earnings. However, the shareholders may resolve not to distribute dividends if the accumulated earnings were lower than 10% of the paid-in capital. The dividend can be distributed by cash, stock or both while at least 10% of total dividends shall be in cash.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company. On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, the Company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

The appropriations of earnings for 2019 and 2018 that were proposed by the board of directors on February 24, 2020 and approved in the shareholders' meeting on May 29, 2019, were as follows:

	<b>For the Years Ended</b>	
	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Legal reserve	<u>\$ 130,933</u>	<u>\$ 129,540</u>
Special reserve	<u>\$ 26,081</u>	<u>\$ -</u>
Cash dividends	<u>\$ 884,210</u>	<u>\$ 882,559</u>
Cash dividends per share (NT\$)	<u>\$ 6.5</u>	<u>\$ 6.5</u>

The appropriation of earnings for 2019 is subject to the resolution of the shareholders in the shareholders' meeting to be held on May 28, 2020.

Pro-Partner's appropriations of earnings for 2019 and 2018 that were approved in the shareholders' meetings on April 14, 2020 and April 25, 2019, respectively, were as follows:

	<b>For the Years Ended</b>	
	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Legal reserve	<u>\$ 157,328</u>	<u>\$ 148,670</u>
Cash dividends	<u>\$ 1,461,153</u>	<u>\$ 1,337,931</u>
Cash dividends per share (NT\$)	<u>\$ 80.463</u>	<u>\$ 76.02</u>

d. Other equity items

1) Exchange differences on translating foreign operations

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Balance, beginning of period	\$ (84,506)	\$ (50,958)
Recognized for the period		
Exchange differences on translating foreign operations	<u>(10,316)</u>	<u>19,126</u>
Balance, end of period	<u>\$ (94,822)</u>	<u>\$ (31,832)</u>

2) Unrealized gain (loss) on financial assets at FVTOCI

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Balance, beginning of period	\$ (16,246)	\$ (17,136)
Recognized for the period		
Unrealized gain (loss) - equity instruments	<u>(1,255)</u>	<u>2,020</u>
Balance, end of period	<u>\$ (17,501)</u>	<u>\$ (15,116)</u>

e. Non-controlling interests

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Balance, beginning of period	\$ 1,297,431	\$ 1,202,975
Profit for the period	<u>132,836</u>	<u>126,311</u>
Balance, end of period	<u>\$ 1,430,267</u>	<u>\$ 1,329,286</u>

f. Treasury shares

On January 3, 2017, the Company's board resolved to buy its own shares as treasury stocks for transferring to its employee. The repurchase period was from January 4, 2017 to March 3, 2017 and the number of shares to be brought back was 3,000,000 shares with the unit price interval of \$118 to \$349.5. As of the end of the repurchase period, the number of shares repurchased was 508,000 shares with the average repurchase unit price of \$179.26. The carrying value of treasury stock as of March 31, 2020 was \$45,530 thousand.

	<b>Shares Transferred to Employees</b>
Number of shares at March 31 and January 1, 2020	<u>254,000</u>
Number of shares at March 31 and January 1, 2019	<u>508,000</u>

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

## 23. REVENUE

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 1,890,032	\$ 1,781,800
Revenue from the rendering of services	<u>118,890</u>	<u>231,884</u>
	<u>\$ 2,008,922</u>	<u>\$ 2,013,684</u>

### a. Disaggregation of revenue

#### 1) Type of goods or services and timing of revenue recognition:

##### For the three months ended March 31, 2020

	<b>Reportable Segments</b>			<b>Total</b>
	<b>MLM</b>	<b>Distribution</b>	<b>OEM</b>	
<u>Type of goods or services</u>				
Sale of goods	\$ 1,742,506	\$ 117,408	\$ 30,118	\$ 1,890,032
Rendering of services	<u>-</u>	<u>-</u>	<u>118,890</u>	<u>118,890</u>
	<u>\$ 1,742,506</u>	<u>\$ 117,408</u>	<u>\$ 149,008</u>	<u>\$ 2,008,922</u>
<u>Timing of revenue recognition</u>				
Satisfied at a point in time	<u>\$ 1,742,506</u>	<u>\$ 117,408</u>	<u>\$ 149,008</u>	<u>\$ 2,008,922</u>

##### For the three months ended March 31, 2019

	<b>Reportable Segments</b>			<b>Total</b>
	<b>MLM</b>	<b>Distribution</b>	<b>OEM</b>	
<u>Type of goods or services</u>				
Sale of goods	\$ 1,682,203	\$ 81,566	\$ 18,031	\$ 1,781,800
Rendering of services	<u>-</u>	<u>-</u>	<u>231,884</u>	<u>231,884</u>
	<u>\$ 1,682,203</u>	<u>\$ 81,566</u>	<u>\$ 249,915</u>	<u>\$ 2,013,684</u>
<u>Timing of revenue recognition</u>				
Satisfied at a point in time	<u>\$ 1,682,203</u>	<u>\$ 81,566</u>	<u>\$ 249,915</u>	<u>\$ 2,013,684</u>

2) Type of goods

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Type of goods</u>		
Health food	\$ 1,769,537	\$ 1,690,668
OEM	149,008	237,701
Beverage	50,021	50,967
Others	<u>40,356</u>	<u>34,348</u>
	<u>\$ 2,008,922</u>	<u>\$ 2,013,684</u>

b. Contract balances

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>	<b>January 1, 2019</b>
Notes and accounts receivable, net (Note 9)	<u>\$ 217,397</u>	<u>\$ 199,453</u>	<u>\$ 146,610</u>	<u>\$ 171,245</u>
Accounts receivable from related parties	<u>\$ 3,584</u>	<u>\$ 2,603</u>	<u>\$ -</u>	<u>\$ -</u>
Contract liabilities - current				
Sale of goods	\$ 10,281	\$ 9,503	\$ 12,387	\$ 48,238
Rendering of services	<u>63,144</u>	<u>55,511</u>	<u>34,577</u>	<u>58,079</u>
	<u>\$ 73,425</u>	<u>\$ 65,014</u>	<u>\$ 46,964</u>	<u>\$ 106,317</u>

The changes in the balance of contract liabilities primarily resulted from the timing difference between the Group's performance and the respective customer's payment.

**24. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS**

a. Other income

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Rental income	\$ 7,154	\$ 7,927
Interest income		
Financial assets at amortized cost	1,104	1,084
Others	<u>21,078</u>	<u>17,510</u>
	<u>\$ 29,336</u>	<u>\$ 26,521</u>

b. Other gains and losses

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Net foreign exchange gain (loss)	\$ 791	\$ (171)
Loss on disposal of property, plant and equipment	-	(90)
Others	<u>(72)</u>	<u>(3,203)</u>
	<u>\$ 719</u>	<u>\$ (3,464)</u>

c. Finance costs

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Interest on bank loans	\$ 3,797	\$ 3,449
Interest on lease liabilities	579	605
Imputed interest on deposit	33	64
Unwinding of discount on provisions	23	19
Less: Amounts included in the cost of qualifying assets	<u>(179)</u>	<u>-</u>
	<u>\$ 4,253</u>	<u>\$ 4,137</u>

Information about capitalized interest is as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Capitalized interest amount	\$ 179	\$ -
Capitalization rate	1.22%	-

d. Depreciation and amortization

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
An analysis of depreciation by function		
Operating costs	\$ 50,455	\$ 33,886
Operating expenses	<u>48,218</u>	<u>42,693</u>
	<u>\$ 98,673</u>	<u>\$ 76,579</u>
An analysis of amortization by function		
Operating costs	\$ -	\$ -
Operating expenses	<u>3,282</u>	<u>2,018</u>
	<u>\$ 3,282</u>	<u>\$ 2,018</u>



e. Operating expenses directly related to investment properties

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Direct operating expenses from investment properties generating rental income	\$ 1,359	\$ 1,435
Direct operating expenses from investment properties not generating rental income	<u>1,156</u>	<u>1,080</u>
	<u>\$ 2,515</u>	<u>\$ 2,515</u>

f. Employee benefits expense

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term benefits	\$ 276,015	\$ 269,479
Post-employment benefits (Note 21)		
Defined contribution plan	7,598	8,261
Defined benefit plans	<u>47</u>	<u>381</u>
	<u>7,645</u>	<u>8,642</u>
Other employee benefits	<u>4,320</u>	<u>5,119</u>
Total employee benefits expense	<u>\$ 287,980</u>	<u>\$ 283,240</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 61,409	\$ 62,498
Operating expenses	<u>226,571</u>	<u>220,742</u>
	<u>\$ 287,980</u>	<u>\$ 283,240</u>

g. Employees' compensation and remuneration of directors and supervisors

According to the resolution, 6%-8% of profit of the current year is distributable as employees' compensation and no higher than 2% of profit of the current year is distributable as remuneration of directors and supervisors. However, the Company's accumulated losses have been covered. For the three months ended March 31, 2020 and 2019, the employees' compensation and the remuneration of directors and supervisors are as follows:

Accrual rate

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Employees' compensation	8%	8%
Remuneration of directors and supervisors	2%	2%

Amount

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Employees' compensation	\$ 24,893	\$ 24,390
Remuneration of directors and supervisors	6,223	6,098

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The appropriations of employees' compensation and remuneration of directors and supervisors for 2019 and 2018 that were resolved by the Company's board of directors on February 24, 2020 and February 25, 2019, respectively, are as shown below:

	<b>For the Years Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	\$ 122,964	\$ 122,578
Remuneration of directors and supervisors	30,741	30,645

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 25. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax		
In respect of the current period	\$ 102,379	\$ 99,231
Adjustments for prior periods	-	1,501
	<u>102,379</u>	<u>100,732</u>
Deferred tax		
In respect of the current period	-	-
Tax expense (income) recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	(3,283)	520
	<u>(3,283)</u>	<u>520</u>
Income tax expense recognized in profit or loss	<u>\$ 99,096</u>	<u>\$ 101,252</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings.

b. Income tax assessments

The income tax returns of the Company through 2018 have been assessed by the tax authorities.

**26. EARNINGS PER SHARE**

	<b>Unit: NT\$ per share</b>	
	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Basic earnings per share	<u>\$ 1.93</u>	<u>\$ 1.93</u>
Diluted earnings per share	<u>\$ 1.92</u>	<u>\$ 1.93</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net profit for the period

	<b>Unit: In thousands of shares</b>	
	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 262,697</u>	<u>\$ 262,690</u>

The weighted average number of ordinary shares outstanding

	<b>Unit: In thousands of shares</b>	
	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	136,032	135,778
Effect of potentially dilutive ordinary shares		
Employees' compensation	<u>477</u>	<u>496</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>136,509</u>	<u>136,274</u>

If the Group offered to settle the compensation or bonuses paid to employees in cash or shares, the Group assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 27. CASH FLOW INFORMATION

### a. Non-cash transactions

The Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statements of cash flows for the three months ended March 31, 2020 and 2019:

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Additions of property, plant and equipment	\$ (26,817)	\$ (306,519)
Changes in prepayments for purchase	(251,796)	(24,532)
Changes in payables for purchase of equipment	(7,472)	1,810
Change in other financial assets	<u>864</u>	<u>-</u>
Payments for acquisition of property, plant and equipment	<u>\$ (285,221)</u>	<u>\$ (329,241)</u>

### b. Changes in liabilities arising from financing activities

#### For the three months ended March 31, 2020

	<b>January 1, 2020</b>		<b>Non-cash Changes</b>			<b>March 31, 2020</b>
	<b>Cash Flows</b>	<b>Lease Change</b>	<b>Finance Costs</b>	<b>Exchange Rate Impact</b>		
Short-term borrowings	\$ 350,000	\$ 150,000	\$ -	\$ -	\$ -	\$ 500,000
Long-term borrowings	826,545	(1,834)	-	-	-	824,711
Guarantee deposits received	32,946	(1,700)	-	-	-	31,246
Lease liabilities	<u>165,670</u>	<u>(10,327)</u>	<u>36,528</u>	<u>579</u>	<u>(32)</u>	<u>192,418</u>
	<u>\$ 1,375,161</u>	<u>\$ 136,139</u>	<u>\$ 36,528</u>	<u>\$ 579</u>	<u>\$ (32)</u>	<u>\$ 1,548,375</u>

#### For the three months ended March 31, 2019

	<b>January 1, 2019</b>		<b>Non-cash Changes</b>		<b>March 31, 2019</b>
	<b>Cash Flows</b>	<b>Finance Costs</b>	<b>Exchange Rate Impact</b>		
Short-term borrowings	\$ 800,000	\$ 150,000	\$ -	\$ -	\$ 950,000
Long-term borrowings	318,807	(6,517)	-	-	312,290
Guarantee deposits received	45,206	(20)	-	-	45,186
Lease liabilities	<u>205,070</u>	<u>(9,944)</u>	<u>605</u>	<u>23</u>	<u>195,754</u>
	<u>\$ 1,369,083</u>	<u>\$ 133,519</u>	<u>\$ 605</u>	<u>\$ 23</u>	<u>\$ 1,503,230</u>

## 28. CAPITAL MANAGEMENT

The objective of the Group's capital management is maintaining a good capital structure and to ensure the ability to operate continuously, in order to provide returns to stockholders and the interests of other related parties, while maintaining the primal capital structure to reduce costs of capital. The Group's capital structure management strategies were based on the industry size of the Company and its subsidiaries, industry's future growth, product roadmaps, and changes in the external environment and other factors. The Group plans the required capacity and the necessary plant and equipment to achieve this capacity and the corresponding capital expenditure according to those strategies. The Group then calculates the required working capital and cash based on industry characteristics, and estimates the possible product margins, operating margin and cash flow. In order to determine the most appropriate capital structure, the Group takes into consideration cyclical fluctuations in industrial, product life cycle and other risk factors.

## 29. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments not measured at fair value

The Group's management considers the book value of financial instruments that are not measured at fair value in the consolidated financial statements approximate the fair value.

### b. Fair value of financial instruments measured at fair value on a recurring basis

#### 1) Fair value hierarchy

March 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
- unlisted shares	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>  10,527</u>	\$ <u>  10,527</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
- unlisted shares	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>  11,782</u>	\$ <u>  11,782</u>

March 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
- unlisted shares	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>  12,912</u>	\$ <u>  12,912</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

#### 2) Reconciliation of Level 3 fair value measurements of financial instruments

For the three months ended March 31, 2020

<b>Financial Assets</b>	<b>Financial Assets at FVTOCI Equity Instruments</b>
Balance, beginning of period	\$ 11,782
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	<u>  (1,255)</u>
Balance, end of period	<u>\$ 10,527</u>

For the three months ended March 31, 2019

<b>Financial Assets</b>	<b>Financial Assets at FVTOCI</b>
	<b>Equity Instruments</b>
Balance, beginning of period	\$ 10,892
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	<u>2,020</u>
Balance, end of period	<u>\$ 12,912</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of unlisted equity securities were determined using the market approach. The market approach is used to arrive at their fair values, for which the recent financing activities of investees, the market transaction prices of the similar companies and market conditions are considered. The significant unobservable inputs are as follows. The lower the discount for lack of marketability, the higher the fair value of the stocks.

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Discount for lack of marketability	30%	30%	30%

If the inputs to the valuation model were changed to reflect reasonably possible alternative assumptions while all the other variables were held constant, the fair value of the shares would increase (decrease) as follows:

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Discount for lack of marketability			
1% increase	<u>\$ (150)</u>	<u>\$ (168)</u>	<u>\$ (184)</u>
1% decrease	<u>\$ 150</u>	<u>\$ 168</u>	<u>\$ 184</u>

c. Categories of financial instruments

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
<u>Financial assets</u>			
Financial assets at amortized cost			
Cash and cash equivalents	\$ 2,133,277	\$ 2,146,207	\$ 1,999,899
Financial assets at amortized cost	101,290	97,278	40,920
Notes and accounts receivable, net	217,397	199,453	146,610
Accounts receivable from related parties	3,584	2,603	-
Other receivables	5,318	2,141	5,265
Other receivables from related parties	-	-	12
Financial assets at FVTOCI			
Equity instruments	<u>10,527</u>	<u>11,782</u>	<u>12,912</u>
	<u>\$ 2,471,393</u>	<u>\$ 2,459,464</u>	<u>\$ 2,205,618</u>

(Continued)

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
<u>Financial liabilities</u>			
Amortized cost			
Short-term borrowings	\$ 500,000	\$ 350,000	\$ 950,000
Notes and accounts payable	243,512	222,626	176,799
Other payables	1,358,078	1,745,424	1,369,828
Other payables to related parties	44,261	38,130	42,002
Long-term borrowings (current portion included)	824,711	826,545	312,290
Lease liabilities	<u>192,418</u>	<u>165,670</u>	<u>195,754</u>
	<u>\$ 3,162,980</u>	<u>\$ 3,348,395</u>	<u>\$ 3,046,673</u>
			(Concluded)

d. Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies, measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, approval process by the board of directors must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies.

1) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk (see (a) below) and interest rate risk (see (b) below).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries. The purpose of the Group's management of the exchange rate risk is for the purpose of hedging and not for profit.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is applied. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) are set out in Note 33.

Sensitivity analysis

The Group is mainly exposed to the USD.

The following table details the Group's sensitivity to a 10% change in the functional currency against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. A positive number below indicates a change in pre-tax profit associated with the functional currency strengthening 10% against the relevant currency.

	<b>Currency USD Impact</b>	
	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2020</b>	<b>2019</b>
Profit or loss	\$ 12,410	\$ 11,167

b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The Group is also exposed to interest rate risk related to its investments in floating rate debt instruments. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>March 31,</b>	<b>December 31,</b>	<b>March 31,</b>
	<b>2020</b>	<b>2019</b>	<b>2019</b>
Fair value interest rate risk			
Financial assets	\$ 101,290	\$ 97,278	\$ 40,920
Financial liabilities	1,517,129	1,342,215	1,458,044
Cash flow interest rate risk			
Financial assets	2,125,818	2,139,988	1,991,226

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been changed by 10 basis points and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2020 and 2019 would change by NT\$531 thousand and NT\$499 thousand, respectively, which was mainly due to fluctuations in net asset's variable interest rate.



## 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation, could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

The Group transacts with a large number of unrelated customers and thus, credit risk is not highly concentrated.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counterparties.

## 3) Liquidity risk

The Group's objective is to finance its operations and mitigate the effects of fluctuations in cash flows through the use of cash and cash equivalents and highly liquid equity investments. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of March 31, 2020, December 31, 2019 and March 31, 2019, the Group had available unutilized short-term bank loan facilities set out in (b) below.

### a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

#### March 31, 2020

	On Demand or Less than 6 Month	6-12 Months	1-2 Years	2-5 Years	5+ Years	Total
Short-term borrowings	\$ 500,620	\$ -	\$ -	\$ -	\$ -	\$ 500,620
Notes and accounts payable	243,512	-	-	-	-	243,512
Other payables (related parties included)	1,265,030	111,459	25,850	-	-	1,402,339
Long-term borrowings (current portion included)	4,624	4,673	9,345	749,369	95,005	863,016
Lease liabilities	<u>23,185</u>	<u>23,844</u>	<u>33,824</u>	<u>52,459</u>	<u>72,952</u>	<u>206,264</u>
	<u>\$ 2,036,971</u>	<u>\$ 139,976</u>	<u>\$ 69,019</u>	<u>\$ 801,828</u>	<u>\$ 167,957</u>	<u>\$ 3,215,751</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 47,029</u>	<u>\$ 86,283</u>	<u>\$ 25,590</u>	<u>\$ 11,232</u>	<u>\$ 11,232</u>	<u>\$ 24,898</u>

December 31, 2019

	On Demand or Less than 6 Month	6-12 Months	1-2 Years	2-5 Years	5+ Years	Total
Short-term borrowings	\$ 350,483	\$ -	\$ -	\$ -	\$ -	\$ 350,483
Notes and accounts payable	222,626	-	-	-	-	222,626
Other payables (related parties included)	1,578,199	205,355	-	-	-	1,783,554
Long-term borrowings (current portion included)	4,576	4,656	9,345	751,700	97,341	867,618
Lease liabilities	<u>21,176</u>	<u>19,467</u>	<u>30,603</u>	<u>34,073</u>	<u>73,513</u>	<u>178,832</u>
	<u>\$ 2,177,060</u>	<u>\$ 229,478</u>	<u>\$ 39,948</u>	<u>\$ 785,773</u>	<u>\$ 170,854</u>	<u>\$ 3,403,113</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 40,643</u>	<u>\$ 64,676</u>	<u>\$ 25,590</u>	<u>\$ 11,232</u>	<u>\$ 11,232</u>	<u>\$ 25,459</u>

March 31, 2019

	On Demand or Less than 6 Month	6-12 Months	1-2 Years	2-5 Years	5+ Years	Total
Short-term borrowings	\$ 951,017	\$ -	\$ -	\$ -	\$ -	\$ 951,017
Notes and accounts payable	176,799	-	-	-	-	176,799
Other payables (related parties included)	1,347,360	64,470	-	-	-	1,411,830
Long-term borrowings (current portion included)	15,428	15,528	31,055	93,167	187,488	342,666
Lease liabilities	<u>19,747</u>	<u>19,854</u>	<u>38,931</u>	<u>52,618</u>	<u>79,391</u>	<u>210,541</u>
	<u>\$ 2,510,351</u>	<u>\$ 99,852</u>	<u>\$ 69,986</u>	<u>\$ 145,785</u>	<u>\$ 266,879</u>	<u>\$ 3,092,853</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 39,601</u>	<u>\$ 91,549</u>	<u>\$ 29,783</u>	<u>\$ 11,232</u>	<u>\$ 11,232</u>	<u>\$ 27,144</u>

b) Financing facilities

	March 31, 2020	December 31, 2019	March 31, 2019
Short-term borrowings amount			
Amount unused	<u>\$ 1,150,000</u>	<u>\$ 1,300,000</u>	<u>\$ 1,500,000</u>

### 30. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>	<u>Relationship with the Group</u>
Pu Hsing Enterprise Co., Ltd. (Pu Hsing)	Other related party	A director of Pro-partner
Taipei City Pro-partner Technology and Human Development Foundation (Pro-partner Foundation)	Other related party	Pro-partner is its sole founder
Gongju Co., Ltd. (Gongju)	Other related party	Supervisor of Pro-partner (from June 3, 2018 to June 2, 2021)
Pu-Lin Ltd. (Pu-Lin)	Other related party	Related party in substance of Pro-partner
Xinlin Enterprise Co., Ltd. (Xinlin)	Other related party	Related party in substance of Pro-partner
GK BIO INTERNATIONAL SDN. BHD.	Associate	Investees of the Company accounted for using the equity method

b. Sales of goods

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>For the Three Months Ended March 31</u>	
		<u>2020</u>	<u>2019</u>
Sales	Associate	\$ 3,584	\$ -
	Other related party	<u>328</u>	<u>360</u>
		<u>\$ 3,912</u>	<u>\$ 360</u>

The sales price for the related parties and the price for the third-party MLM member customers were determined based on mutual consent. There is no significant difference regarding the terms and conditions for the related parties and for the third parties.

c. Receivables from related parties

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Accounts receivable from related parties	GK BIO INTERNATIONAL SDN. BHD.	<u>\$ 3,584</u>	<u>\$ 2,603</u>	<u>\$ -</u>
Other receivables from related parties	Pu Hsing	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12</u>



Pu Hsing and Gongju are MLM members of subsidiary. The calculation and payment terms are the same as the general membership in accordance with the regulations of Business Manual.

The rental from the above related parties and normal rental prices were similar and comparable. The term of collection was either in a monthly installment or in full at the beginning of each year.

g. Compensation of key management personnel

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 42,047	\$ 41,736
Post-employment benefits	<u>81</u>	<u>90</u>
	<u>\$ 42,128</u>	<u>\$ 41,826</u>

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

### 31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for long-term and short-term secured loans, Chinese Petroleum Corporation natural gas, leasing land and operating center from science-based parks:

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Property, plant and equipment - land	\$ 2,107,974	\$ 2,107,974	\$ 2,107,974
Property, plant and equipment - building	1,072,063	1,077,499	1,103,715
Pledged time deposits (classified as financial assets at amortized cost – non-current)	<u>15,180</u>	<u>11,460</u>	<u>11,460</u>
	<u>\$ 3,195,217</u>	<u>\$ 3,196,933</u>	<u>\$ 3,223,149</u>

Secured bank facilities used in response to operating funds by the Group's property, plant and equipment - land/building as of March 31, 2020 and December 31, 2019 and March 31, 2019, respectively, are as follows:

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Short-term financing facilities	\$ 1,200,000	\$ 1,200,000	\$ 1,200,000
Medium and long-term financing facilities	<u>574,711</u>	<u>576,545</u>	<u>762,290</u>
	<u>\$ 1,774,711</u>	<u>\$ 1,776,545</u>	<u>\$ 1,962,290</u>

### 32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant contingencies and unrecognized commitments of the Group are as follows:

- a. The Company's guarantee notes issued to banks for credit lines amounted to NT\$350,000 thousand as of March 31, 2020.
- b. Amount available under letters of credit as of March 31, 2020 was NT\$6,846 thousand.
- c. Details of significant constructions in progress and outstanding contracts of property, plant and equipment as of March 31, 2020 were as follows:

Nature of Contract	Contract Amount	Amount Paid	Outstanding Balance
Plant and machinery	\$ 1,067,616	\$ 984,559	\$ 83,057

The Company acquired land for the purpose of constructing new plant and expanding capacity for a total purchase price of NT\$890,000 thousand, which had been approved by the Company's board of directors on February 24, 2020.

- d. For operational needs, Pro-partner established operational bases in Taoyuan, Hsinchu, Fengyuan, Taichung, Hualien, Tainan and Kaohsiung. The information concerning the operating leases as of March 31, 2020 is listed below:

Operating Location	Lessor	Lease Periods	Monthly Rental
Taoyuan City	Taoyuan Irrigation Association	2019.11.09-2020.07.08	\$ 180
Taoyuan City	Taoyuan Irrigation Association	2020.02.01-2025.01.31	360
Taoyuan City	Passion Technology Co., Ltd.	2020.05.01-2025.04.30	280
Hsinchu City	Lin, Zhuang-Long, Wu, Yi-Wan	2016.11.01-2021.10.31	335
Fengyuan Dist.	Lin, Fen-Ling	2017.06.01-2020.05.31	70
Taichung City	Pu-Lin Ltd.	2007.11.01-2027.11.01	220
Taichung City	Pu-Lin Ltd.	2010.04.01-2030.03.31	129
Hualien City	Liou, Chuen-Hou, Liou, Chuen-Lung	2019.09.01-2021.08.31	130
Tainan City	Cathay Life Insurance Co., Ltd.	2016.03.21-2021.07.31	847
Kaohsiung City	Global Intelligence Network Co., Ltd.	2020.03.01-2025.03.31	71

- e. Pro-partner Inc. had purchased the software rights for the cloud version of the direct marketing information management system from WELLAN SYSTEM CO., LTD., in August 2016. The total contract price is in the amount of NT\$19,780 thousand to be paid in 24 installments during the period of 2 years. As of March 31, 2020, the software system mentioned above has been partially delivered and utilized, while the rest are still in testing status or installation.

### 33. SIGNIFICANT FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between foreign currencies and respective functional currencies were as follows:

March 31, 2020

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,882	30.255 (USD:NTD)	\$ <u>87,108</u>
USD	1,954	7.103 (USD:CNY)	\$ <u>59,060</u>
<u>Financial liabilities</u>			
Monetary items			
USD	730	7.103 (USD:CNY)	\$ <u>22,064</u>

December 31, 2019

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,958	29.98 (USD:NTD)	\$ <u>58,701</u>
USD	1,741	6.964 (USD:CNY)	\$ <u>52,195</u>

March 31, 2019

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 3,821	30.64 (USD:NTD)	\$ <u>117,065</u>
<u>Financial liabilities</u>			
Monetary items			
USD	175	30.86 (USD:NTD)	\$ <u>5,398</u>

For the three months ended March 31, 2020 and 2019, realized and unrealized net foreign exchange gains (losses) were NT\$791 thousand; and NT\$(171) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

### 34. SEPARATELY DISCLOSED ITEMS

- a. Significant transactions and b. related information of reinvestment
  - 1) Financings provided: None;
  - 2) Endorsements/guarantees provided: None;
  - 3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities): Table 1;
  - 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
  - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: Table 2;
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None;
  - 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Table 3;
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4;
  - 9) Trading in the derivative instruments: None;
  - 10) Others: Intercompany relationships and significant intercompany transactions: Table 5;
  - 11) Information on investees: Table 6;
- c. Information on investment in mainland China
  - 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, net income (losses) of the investee, investment income (losses), ending balance, amount received as dividends from the investee, and the limitation on investee: Table 7.
  - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: None;
- d. Information on major shareholders: Table 8;



### 35. SEGMENTS INFORMATION

The Group determined its operating segments based on business activities with discrete financial information regularly reported through the Group's internal reporting protocols to the Group's chief operating decision maker. The Group is organized into several business units based on its marketing channels and services. As of March 31, 2020 and 2019, the Group had the following segments: MLM (Multi-level marketing), Distributors, and OEM (Original Equipment Manufacturer).

Management monitors the operating results of its business units separately for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However, non-operating income and expenses and income taxes are managed on a company basis and are not allocated to operating segments.

Transfer prices between operating segment are determined at arm's length basis in a manner similar to transactions with third parties.

Segment's description: MLM is a direct seller of Pro-partner Inc., including the Company's development and manufacturing products for Pro-partner Inc., Distributors includes GRAPE KING BIO's self-owned brand products and OEM includes OEM in Taiwan and Shanghai.

Inter-segment revenues refer to transactions between segments that have been eliminated in the consolidated financial statements.

Segment profit (loss) is profit from operation, segment gross margin, segment operating revenue minus segment operating costs, minus directly attributable segment operating expense and distributable common expenses of the Group.

Adjustment/elimination: Inter-segment revenues are eliminated on consolidation and recorded under the "adjustment and elimination" column. Other adjustments and eliminations which have no significant influence, are not disclosed.

#### Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

#### For the Three Months Ended March 31, 2020

	<b>MLM</b>	<b>Distribution</b>	<b>OEM</b>	<b>Adjustment/ Elimination</b>	<b>Total</b>
Revenue from external customers	\$ 1,742,506	\$ 117,408	\$ 149,008 (Note)	\$ -	\$ 2,008,922
Inter-segment revenue	<u>354,333</u>	<u>33,395</u>	<u>44,693</u>	<u>(432,421)</u>	<u>-</u>
Segment revenue	<u>\$ 2,096,839</u>	<u>\$ 150,803</u>	<u>\$ 193,701</u>	<u>\$ (432,421)</u>	<u>2,008,922</u>
Segment income	<u>\$ 386,957</u>	<u>\$ 9,813</u>	<u>\$ 54,376</u>	<u>\$ 16,474</u>	<u>\$ 467,620</u>

Note: OEM revenues come from external customers in Taiwan and Shanghai amounted to NT\$30,118 thousand and NT\$118,890 thousand, respectively.

For the Three Months Ended March 31, 2019

	<b>MLM</b>	<b>Distribution</b>	<b>OEM</b>	<b>Adjustment/ Elimination</b>	<b>Total</b>
Revenue from external customers	\$ 1,682,203	\$ 81,566	\$ 249,915 (Note)	\$ -	\$ 2,013,684
Inter-segment revenue	<u>319,130</u>	<u>33,585</u>	<u>6,622</u>	<u>(359,337)</u>	<u>-</u>
Segment revenue	<u>\$ 2,001,333</u>	<u>\$ 115,151</u>	<u>\$ 256,537</u>	<u>\$ (359,337)</u>	<u>2,013,684</u>
Segment income	<u>\$ 400,420</u>	<u>\$ 4,523</u>	<u>\$ 51,306</u>	<u>\$ 15,119</u>	<u>\$ 471,368</u>

Note: OEM revenues come from external customers in Taiwan and Shanghai amounted to NT\$18,031 thousand and NT\$231,884 thousand, respectively.

**GRAPE KING BIO LTD. AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**

**MARCH 31, 2020**

**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Held Company Name	Marketable Securities Type And Name	Relationship with the Company	Financial Statement Account	March 31, 2020				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Grape King Bio Ltd.	<u>Stock</u> FU-Sheng International Inc. (SAMOA)	-	Financial assets at fair value through other comprehensive income - non-current	917,700	\$ 10,485	18.77	\$ 10,485	
	Hsin Tung Yang Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,000	42	-	42	

**GRAPE KING BIO LTD. AND SUBSIDIARIES**

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE THREE MONTHS ENDED MARCH 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Grape King Bio Ltd.	Land	2020.2.24	\$ 890,000	According to the contract, the contract payment and the certificate payment of \$ 178,000 have been paid.	Onano Industrial Corp.	-	Not applicable	Not applicable	Not applicable	Not applicable	The price based on valuation report issued by an external independent professional valuation company is estimated to be higher than the transaction price.	In order to provide more stable production capacity to meet market demand.	None

**GRAPE KING BIO LTD. AND SUBSIDIARIES**

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE THREE MONTHS ENDED MARCH 31, 2020**

**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Grape King Bio Ltd.	Pro-partner Inc.	Subsidiary	Sales	\$ 354,333	69.19	30 days after monthly closing	By contract	-	\$ 149,403	63.42	Note 2
Pro-partner Inc.	Grape King Bio Ltd.	Parent company	Purchases	354,333	100.00	30 days after monthly closing	By contract	-	(149,403)	93.07	Note 2

Note 1: If the terms of transactions with the related parties are different from normal terms, the difference and the reason for the difference should be declared in the column of unit price or credit period.

Note 2: The transactions have been eliminated in the consolidated financial statements.

**GRAPE KING BIO LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**MARCH 31, 2020**

**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Days	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Grape King Bio Ltd.	Pro-partner Inc.	Subsidiary	\$ 149,403	8.37	\$ -	-	\$ 149,403	\$ -

Note: The transactions have been eliminated in the consolidated financial statements.

**GRAPE KING BIO LTD. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 2020  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

No (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage to Consolidated Net Revenue or Total Assets (Note 3)
				Financial Statement Account	Amount	Terms	
0	Grape King Bio Ltd.	Pro-partner Inc.	1	Net revenue from sale of goods	\$ 354,333	By contract	17.64%
0	Grape King Bio Ltd.	Pro-partner Inc.	1	Accounts receivable	149,403	By contract	1.28%

Note 1: 0 is for the parent company. Subsidiaries are numbered from Arabic numerals 1.

Note 2: There are three types of relations between the parent company and the subsidiaries. Only categories should be identified (There is no need to declare the same interaction between the parent company and the subsidiary, or the same transaction among subsidiaries repeatedly. For example, if the parent company has declared the transaction from parent company to subsidiary, the subsidiary does not need to repeatedly declare the same transaction. If the transaction is between subsidiaries, when one subsidiary has declared the transaction, the other subsidiary does not need to declare the same transaction)

- 1) Represents the transactions from parent company to subsidiary.
- 2) Represents the transactions from subsidiary company to parent.
- 3) Represents the transactions between subsidiaries.

Note 3: When calculating the amount of transaction as a proportion of the consolidated revenue or assets, if it is recognized as items of assets or liabilities, the ending balance should be divided by the consolidated assets; if it is recognized as income or loss, the midterm accumulated amount should be divided by the consolidated assets.

Note 4: The so-called significant transaction refers to those amount reaching NT\$100 million or over 20% of the paid-in capital of the parent company.

## GRAPE KING BIO LTD. AND SUBSIDIARIES

## INFORMATIONS ON INVESTEEES

FOR THE THREE MONTHS ENDED MARCH 31, 2020

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2020			Net Income (Losses) of the Investee	Investment Income (Losses)	Note
				March 31, 2020	December 31, 2019	Shares	Percentage of Ownership (%)	Carrying Amount			
Grape King Bio Ltd.	GRAPE KING INTERNATIONAL INVESTMENT INC. (BVI)	BVI	Investment activities	\$ 1,198,018	\$ 1,198,018	24,890,000	100	\$ 867,374	\$ 6,702	\$ 7,960	Notes 1, 2 and 3
	Pro-partner Inc.	Taoyuan, Taiwan	Import and selling of health food, drink, cosmetics, sports apparatus, cleaning products, etc.	15,000	15,000	10,560,000	60	2,119,960	332,091	201,281	Notes 1 and 2
	Rivershine Ltd.	Taoyuan, Taiwan	Import and selling of health food, drinks, daily cosmetics, appliances, etc.	30,000	30,000	3,000,000	100	31,534	(1,437)	(1,437)	Note 2
	GK BIO INTERNATIONAL SDN. BHD.	Malaysia	Import and selling of health products	6,810	6,810	900,000	30	6,147	3,732	1,207	Note 1

Note 1: The effect from the unrealized profit of the downstream transactions on income tax, which is NT\$3,373 thousand has been adjusted.

Note 2: The book value at the end of the period and the current investment gain (loss) recognized have been eliminated in the consolidated financial statements.

Note 3: The current investment gain (loss) recognized by BVI includes the current profit of Shanghai Grape King and Shanghai Rivershine.



**TABLE 7**

**GRAPE KING BIO LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2020	Net Income (Losses) of the Investee Company	Percentage of Ownership	Investment Income (Losses) (Note 2)	Carrying Amount as of March 31, 2020	Accumulated Inward Remittance of Earnings as of March 31, 2020
					Outflow	Inflow						
Shanghai Grape King Enterprise Co., Ltd	Manufacturing and selling capsule, tablet, related products and services.	USD 27,900	Note 1(2) Note 3	\$ 847,672 (USD 27,350)	\$ -	\$ -	\$ 847,672 (USD 27,350)	\$ 6,248 Note 2(2)B	100%	\$ 7,506 Note 2 (2)B	\$ 823,634	\$ -
Shanghai Yusong Co., Ltd.	Stock management and related services of the thermostatic fresh freezing warehouse.	USD 4,890	Note 1(2) Note 4	26,794 (USD 878)	-	-	26,794 (USD 878)	- Note 2(3)	18.77%	- Note 2(3)	10,527 Note 2(3)	-
Shanghai Rivershine Ltd.	Food distribution (except grain), food packaging materials, cosmetics wholesale, import and export, commission agents (except auction), related products and services.	USD 150	Note 1(2) Note 5	4,060 (USD 150)	-	-	4,060 (USD 150)	58 Note 2(2)B	100%	58 Note 2(2)B	4,698	-
Dongpu Biotech Corporation	Biotechnology R&D and transfer; sales of biological products, special foods (health foods), food materials, food packaging materials, cosmetics, daily necessities; commission agents (excluding auctions); import and export of goods.	RMB 5,000	Note 1(1) Note 6	23,200 (RMB 5,000)	-	-	23,200 (RMB 5,000)	(215) Note 2(2)B	100%	(223) Note 2(2)B	28,556	-

Accumulated Investment in Mainland China as of March 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 901,726	\$ 901,726	\$ 4,712,888

(Continued)

Note 1: The methods for engaging in investment in mainland China include the following:

- 1) Direct investment in mainland China.
- 2) Indirect investment in mainland China through companies registered in a third region (specify the name of the company in third region).
- 3) Other methods.

Note 2: The investment income (loss) recognized in current period:

1. No investment income (loss) has been recognized due to the investment is still in the development stage.
2. The investment income (loss) was determined based on the following basis:
  - (A) The financial report was reviewed and certified by an international accounting firm in cooperation with an accounting firm in the ROC.
  - (B) The financial statements were reviewed by the parent company's auditors.
  - (C) Others.
3. Recorded as financial assets at fair value through other comprehensive income.

Note 3: The Company invested in Shanghai Grape King Enterprise Co., Ltd. through subsidiary GRAPE KING INTERNATIONAL INVESTMENT INC. (BVI).

Note 4: The Company invested in Shanghai Yusong Co., Ltd. through Fu-Sheng International Inc. (SAMOA).

Note 5: The Company indirectly invested in Shanghai Rivershine Ltd. through its subsidiary, GRAPE KING INTERNATIONAL INVESTMENT INC. (BVI).

Note 6: The Company directly invested in Dongpu Biotech Corporation.

(Concluded)

**GRAPE KING BIO LTD.****INFORMATION ON MAJOR SHAREHOLDERS****March 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Fubon Life Assurance Co., Ltd.	8,998,000	6.60

Note 1: Information on the above table is based on the calculation provided by the Taiwan Depository & Clearing Corporation for stockholders holding greater than 5% of ordinary shares and special shares who have completed the process of registration and book-entry delivery issued in dematerialized form (including treasury shares) on the last business day of the current quarter. There may be a discrepancy between the number of shares recorded on the Company's consolidated financial statements and its dematerialized securities due to the difference in basis of preparation and calculation.

Note 2: According the above information, the delivery of shares to the trust by shareholders is disclosed by the individual trustee who opened the trust account. In accordance with the Securities Exchange Act, shareholders who acquire more than 10% of shareholding have to disclose their insider ownerships, including their own shares held, delivery to the trust and shares that have the right to make decisions on trust property, etc. Information on insider ownership declaration is available at the Market Observation Post System website of the Taiwan Stock Exchange.